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ABSTRACT

This first supplement to the Florida master plan for postsecondary education covers state student financial policy. Basic assumptions/concepts relevant to state student financial aid policy are briefly considered, including access, quality, and community involvement. Tuition policy recommendations include: tuition at public community colleges and universities should be indexed to state general revenue appropriations; and the Florida Tuition Voucher Program should be continued. Financial aid policy recommendations include: students should be required to apply for federal Pell Grants when they apply for state grants and the Pell award should be considered in assessing students' available resources; the need-based Florida Student Assistance Grants Program should be maintained as the state's primary access grant program; and the first year of the Academic Scholars Program should be completed before it is evaluated. Additional recommendations concern: industry-education cooperation; career work experience program; eligibility for student financial aid; fees for community college and state university students; loan forgiveness fund; and student loan revenue bonds. (SW)

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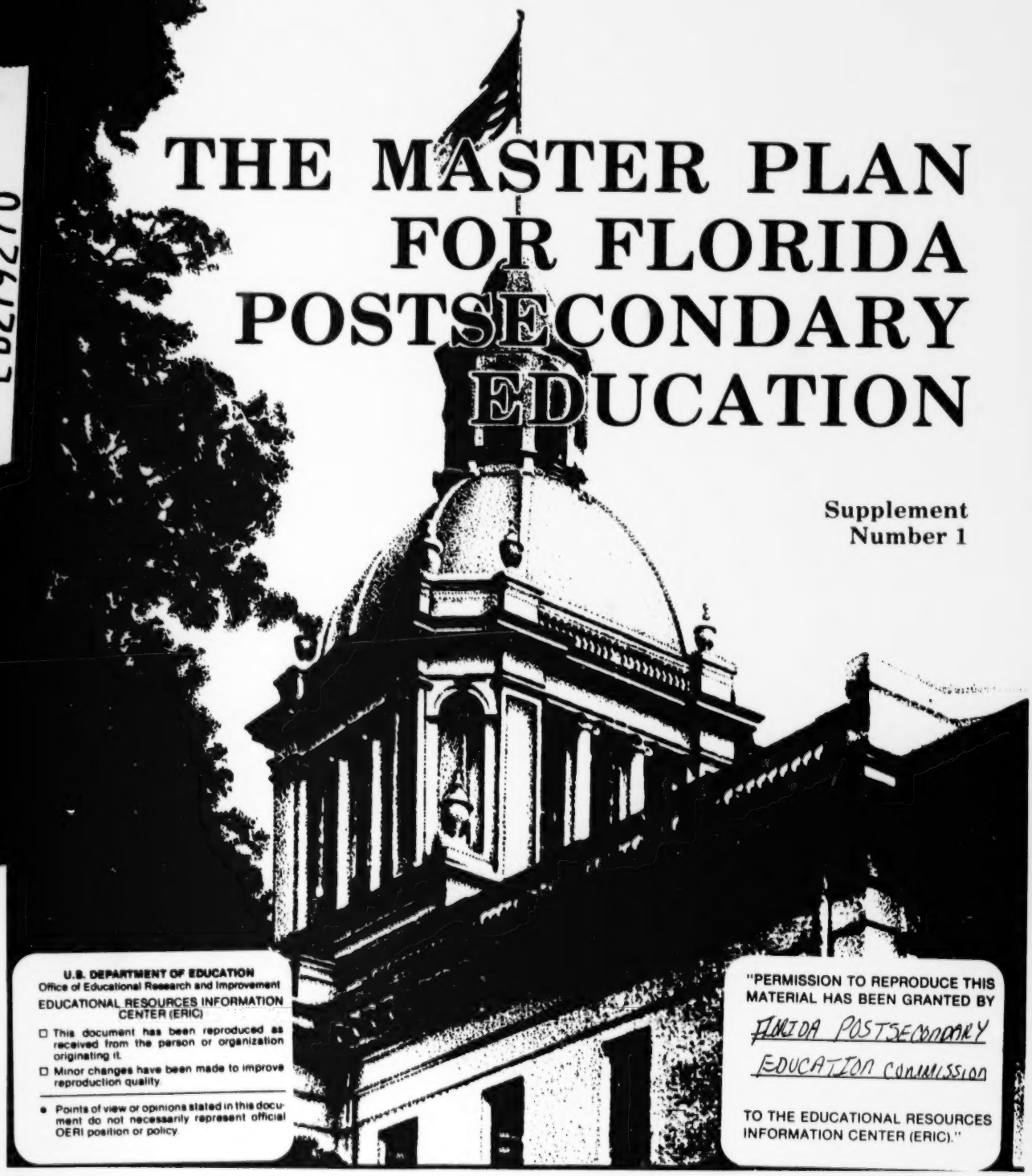
STATE STUDENT FINANCIAL AID POLICY

THE MASTER PLAN FOR FLORIDA POSTSECONDARY EDUCATION

Supplement
Number 1



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Report and Recommendations of the Postsecondary Education Planning Commission

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THE MASTER PLAN

FOR FLORIDA

POSTSECONDARY EDUCATION

Supplement Number 1

State Student Financial Aid Policy

Report and Recommendations
of the
Postsecondary Education Planning Commission

March 17, 1983

Knott Building
Tallahassee, Florida 32301

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INTRODUCTION

The Florida Postsecondary Education Planning Commission's enabling legislation (Section 240.147, Florida Statutes) directs it to prepare and submit to the State Board of Education a master plan for postsecondary education. The statutory language requires that the plan:

> include consideration of the promotion of quality, fundamental education goals, programmatic access, needs for remedial education, regional and state economic development, demographic patterns, student demand for programs, needs of particular subgroups of the population, implementation of educational techniques and technology, and the requirements of the labor market. The capacity of existing programs, in both public and independent institutions, to respond to identified needs should be evaluated and a plan developed to respond efficiently to unmet needs.

Need for Policy Review

The Master Plan for Florida Postsecondary Education was completed on November 18, 1982 and submitted to the State Board of Education on January 18, 1983. An important component of any postsecondary education master plan is a state student financial aid policy. The Master Plan noted that Florida's current student financial aid policy was passed by the 1970 Legislature and is contained in Section 240.437(2), Florida Statutes. Since that time changes in statute and practice indicate that these guidelines should be revised. In addition, recent policy developments by the federal government, which has been the primary provider of financial aid, as well as drastic changes in the composition of the student population at some institutions, have underscored the necessity to reexamine Florida's existing policy and practices.

Department of Education Study

In response to these policy and demographic shifts, the 1982 Legislature directed the Commissioner of Education to conduct a study to determine the most effective uses for available student financial aid resources to best serve the needs of students and their families, the institutions, and the State. Since that study was expected to be completed subsequent to the Master Plan's submission to the State Board of Education, the Commission decided to provide only broad policy recommendations on financial aid in its first Master Plan, and to address this significant issue when the more complete information and policy options developed as part of the Commissioner's study became available. That study has been concluded and the final report entitled Student Financial Aid in Florida has been released. This first Supplement to the Master Plan represents the Commission's statement on state student financial aid policy. Supplemental statements on other postsecondary education issues will be published periodically.

Commission Activity

The Commissioner's study was comprehensive and thorough and its 24 recommendations were carefully reviewed by the Commission in the preparation of this Supplement. A significant result of the Department of Education's study process was "the initiation of the development of a computer simulation model to assess the impact of various policy

decisions relating to state aid programs--method of determining need, level of appropriations, tuition charges, award amounts--in the distribution of aid to individual students, institutions and sectors." This simulation capability and the support material made available by the Department were a great help in the development of the Commission's recommendations. In addition to active participation in the Department's study process, the Commission conducted a number of committee meetings on tuition and financial aid policies, during which institutional administrators, students, and state officials appeared and testified. The Commission offers the following guidelines, within the context of the overall Master Plan, to be used by sector and institutional boards, the State Board of Education and the Legislature as they make program and budget decisions in the financial aid area.

BASIC ASSUMPTIONS AND CONCEPTS

The Commission approached the creation of the Master Plan with certain assumptions and concepts deemed central to considerations of the future, and these assumptions were set forth in the Plan. Several of these basic assumptions and concepts are particularly relevant to any discussion of a state student financial aid policy. They include the following:

Access

a) A major assumption is that postsecondary education should be available to all who can benefit from it. Most of Florida's efforts in postsecondary education over the past twenty years have focused on widening geographic access, first to lower division programs, then to baccalaureate education and now to beginning graduate education for qualified students. After examining current avenues of access to different forms and levels of education beyond the high school, we concluded that these are now within reach of most Floridians, although there remain some population groups for which special efforts will have to be made if access is to result in effective education.

Quality

b) The success of the State in providing access to postsecondary education is acknowledged nationally. These efforts should be continued and maintained. Florida has reached a point, however, that a focus on improving the quality of postsecondary education institutions and programs should be the highest priority. Thus, most of the recommendations in the Plan point to ways to make existing services better able to meet student and state needs effectively.

Community Involvement

c) The education process is measurably strengthened by regular and significant involvement of the business, industrial, social and cultural agencies of a community or region. This involvement clarifies needs and helps in planning and evaluation. It also opens doors to the sharing of expertise and physical resources, avoids duplications of effort and equipment, controls costs and promotes a welcoming and supportive attitude on both sides.

d) Logical structures of authority, better organization, and improved coordination and management can lead to a higher quality of education but only to the extent that their major functions encourage better teaching and learning. The student is at the center of the educational process as a learner; the academic institutions, with their governing boards and faculties, are central to the creation of programs. The responsibility of the State Board of Education and the Legislature is to determine the level of the outcomes they have a right to expect from the teaching-learning process. We assume that they would do this after consultation with the respective postsecondary education

sectors, that their expectations would be clearly understood and acted upon, and that appropriate evaluation would follow.

Coordination of Resources

e) Whatever structural or managerial changes or new academic programs emerge in the future will do so in the context of limited state resources and competing social and economic priorities. The next two decades, therefore, pose old and new dangers for postsecondary education. Yet they also offer strong hopes. The strongest of these is to coordinate all the educational resources of the State and bring them to bear upon appropriate access and high quality achieved with affordable investment.

Education is an Investment

f) Considering the financing of postsecondary education in an even broader context, we call attention to the major responsibility placed upon education for making certain that our citizenry at all ages are prepared to cope with an even more complicated and challenging future. World peace, economic stability, continuing search and discovery, individual growth with its accompanying sense of research--these will come to pass only when education poses enlightened and enterprising questions to youth and motivates their continuing curiosity to learn throughout adulthood. Education, viewed in this context, becomes far more than an annual expenditure item of budgeting; it is an all-important investment to guarantee a strong, skillful, and humane people. Support for education should be seen as an investment whose principal is repaid many times in the future, not just in terms of increased tax revenues but, more important, in terms of more enlightened citizenship and a better society. Few governmental expenditures can claim the long-term, pervasive effects as those for education, whose results last for lifetimes.

In addition, the following specific principles contained in the Master Plan guided the development of this Supplement:

Use of All Resources

a) All resources should be enlisted--public, independent and proprietary institutions, libraries, the media, professional associations, unions, the military, business and industry, social and cultural agencies. Only through a process of sharing can we expect to provide postsecondary educational opportunities in the amount, diversity and quality we seek.

Independent Education

b) Independent and proprietary education are crucial to the maintenance of diversity and choice in postsecondary education. These non-public sectors also offer a substantial measure of protection for and models of academic freedom and institutional autonomy. Strong independent institutions are vital to an effective system of education after high school and to a balanced set of options for students and faculty. Economic and

demographic trends are threatening independent postsecondary education, and such threats are likely to increase in the future.

The State and students can gain much by the effective inclusion of independent postsecondary education in Florida's educational structure. The challenge is to obtain a significant degree of cooperation between the public and independent sectors. Now is a propitious time to examine ways in which the State can strengthen linkages with independent postsecondary education to the mutual advantage of both.

The policy and program decisions of independent institutions should remain the responsibility of their Boards of Trustees and the Commission's recommendations are not meant to infringe upon the customs and practices of these Boards. Of course, independent institutions are responsible to the State for the proper fiscal accounting of all state funds received, and for fulfilling all contractual agreements.

The State can and does provide direct or indirect financing through contracting or student aid. In the past, such financial support has been economical. The State has spent fewer dollars on financial aid for students in independent colleges and for contracts with these institutions than it would have provided to public colleges to educate the additional numbers of students. Also, the diversity of resources made available and the resulting enhancement of student access and choice met important State goals.

Graduate Education

c) The best way to strengthen graduate education is to recruit the best faculty, professional staff, and students nationally and internationally. Increased financial aid and fellowships are essential in recruiting the nation's and State's top students for graduate study. Such financial aid allows institutions to be more selective and to retain students after enrollment. Without a stronger system of graduate student support, Florida will continue to fall behind other states which have more generous programs.

Need-Based and Non-Need-Based Aid

d) The State should continue to provide both need-based and non-need-based financial aid to students at independent institutions in order to further state goals of access and choice. Decisions affecting funding levels for such financial aid programs should be related to state tuition policy.

Financing

The Master Plan attempts to identify state needs and then explore the ways postsecondary education institutions, public and independent, and other state resources can best respond to the identified needs. It recommends a financing process attuned to state needs and institutional mission for the public institutions. The process should be more program-related and less reliant on enrollments. The Plan recommends a

Tuition Policy

number of initiatives designed to improve quality, and a financing approach to fund such initiatives. Students in public postsecondary education institutions are called upon to continue to pay a share of the cost of their education in a tuition policy that indexes tuition charges to state general revenue appropriations.

Consistency With Goals

Finally, to provide for those students who would be denied "access" to any form of postsecondary education as a result of the tuition policy, and to allow some student "choice" between public and independent colleges, the Plan calls for a sound financial aid policy that is consistent with overall quality improvement goals.

STATE STUDENT FINANCIAL AID POLICY

As noted earlier, Florida's current student financial aid policy was passed by the 1970 Legislature and is contained in Section 240.437(2), Florida Statutes. It is appropriate that the overall policy be contained in Florida Statutes, and the Commission recommends that the Legislature amend Section 240.437(2), F.S., to read as follows:

240.437 Student financial aid planning and development.--

Statutory Revision

(2) The objective of ~~a~~ the state program shall be the maintenance of a ~~state~~ student financial aid program to supplement ~~a~~ the basic national program and other available resources which will provide equal access to ~~post high school~~ postsecondary education to Florida citizens who have the ability and motivation to benefit from such ~~a post high school~~ education. In the development of a state program to achieve this objective it shall be the policy that:

(a) Student financial aid be provided primarily on the basis of financial need;

(b) Students receiving need-based financial aid be expected to contribute toward their cost of education through self-help resources such as savings, work, and loans.

(c) ~~(b)~~ Admission to an institutions, and demonstrated performance be the ~~criterion~~ criteria for eligibility for financial aid;

(d) ~~(c)~~ Student financial aid be available to Florida residents for attendance at accredited postsecondary education institutions ~~of higher education~~ in Florida, public or private;

(e) ~~(d)~~ Student financial aid be provided for all levels of postsecondary ~~post high school~~ education;

(f) ~~(e)~~ State student financial aid be administered by a central state agency; and

(g) Effective August 1, 1985, students enrolled in Associate of Arts and Bachelor's degree programs in independent Florida institutions who receive state aid funds pursuant to

Sections 240.401, 240.402, 240.409, and 240.60, F.S., shall participate in the College Level Communication and Computation Skills testing program provided in Section 229.551, F.S. The Department of Education and the eligible institutions shall negotiate an agreement that will assure that the test is available to students either directly through the independent institutions or on a contractual basis with a state community college or university.

With the changes noted above, Florida's policy would clearly reflect the state goal of providing financial access to postsecondary education for Florida residents. It would also allow for a limited number of special purpose programs such as the Academic Scholars Program and the State Tuition Voucher Program.

Complementary Policies for Tuition and Financial Aid

It is essential that the State's tuition and financial aid policies complement one another and become an integrated component of an overall financing approach for postsecondary education in Florida. After reviewing the existing array of financial aid programs in the State, and a careful analysis of the Department of Education's study and recommendations, the Commission is prepared to offer a number of specific policy recommendations related to tuition and financial aid which are consistent with the overall policy previously outlined.

Tuition Policy Recommendations

As stated in the Master Plan, a judicious and feasible tuition policy must address the need of the State for revenue as well as the needs of the State for an educated citizenry. It must be able to reconcile the needs of the financially disadvantaged with the concern of the taxpayer.

Tuition Index

1. Tuition at public community colleges and universities in Florida should be indexed to state general revenue appropriations. This approach will allow students, parents, institutions, and the State to plan on likely tuition levels.

Implementation of the above recommendation for both community colleges and state universities will result in a stable pattern of tuition charges with gradual increases instead of an unpredictable policy which has resulted in infrequent large increases with accompanying hardship upon students and parents. A tuition policy will greatly assist the development of meaningful student financial aid programs.

Low Tuition

2. The primary state initiative to guarantee access to all qualified students should continue to be the practice of paying a significant share of the actual cost per student in state

universities and community colleges through state general revenue appropriations.

While such state subsidies are not targeted to individual student need, they continue to be the chief form of state support for postsecondary education in the nation.

Tuition Voucher Policy

3. The Florida Tuition Voucher Program should be continued as an effective way to provide "choice" as well as "access" to Florida citizens.

4. If the ratio between student tuition and general revenue appropriations at Florida's community colleges and state universities declines for three consecutive years, consideration should be given to increasing the tuition voucher amount by a similar percentage.

5. The Department of Education should biennially report to the State Board of Education and the Legislature on the effectiveness of this tuition assistance program. The report should include but not be limited to:

   (a) an analysis of tuition voucher recipients by age, income level, academic standing, sex, and race;

   (b) an evaluation of the impact of the tuition voucher award on the tuition differential between public and independent community colleges and universities in Florida; and

   (c) recommendations for any necessary program modifications.

Rationale for Tuition Voucher Program

As noted in the Department's study, three major reasons for the creation of the Tuition Voucher Program were its potential contribution to:

- the provision of choice for students interested in pursuing their education in an independent Florida institution;
- the maintenance of a strong dual system of postsecondary education in Florida; and
- the potential savings to the State for every student who elected to attend an independent rather than public institution.

In 1979, the Legislature recognized the growing tuition differential between public and independent institutions in Florida and the negative impact the differential had on student choice. Legislators also

recognized that students, unable to afford the higher tuition in the independent sector, were attending publicly supported universities and community colleges and thereby increasing the cost to the State. They created the Tuition Voucher Program to reduce the tuition difference and increase choice, but the tuition voucher was not so great as to relieve all of the additional financial burden on the student who selects an independent institution. The tuition assistance approach has been an effective and popular program. It has performed the functions for which it was designed and the reasons for the creation of the program still exist. Eligibility should not be extended to additional institutions at the expense of students currently receiving tuition vouchers. The Commission will address the issue of expanded eligibility as part of its study of proprietary education. Finally, it is important to note that current law provides that if the combined amount of a tuition voucher and all other scholarships and grants for tuition or fees exceeds the amount charged to the student for tuition and fees, the Department shall reduce the tuition voucher by an amount equal to the excess. This provision which links the Tuition Voucher Program with the Florida Student Assistance Grants Program should be maintained.

Financial Aid Policy Recommendations

Pell Grants

6. Students should be required to apply for federal Pell Grants when they apply for state grants and the Pell awards should be considered in any assessment of students' available resources.

As noted in the Commissioner's study, this practice will ensure that Pell Grants, the largest single source of need-based grant aid for Florida students ($84 million in 1981-82)--will be fully employed by eligible applicants before supplementing these federal funds with state aid. This recommendation should contribute to the more effective coordination of state and federal aid resources.

Florida Student Assistance Grants Program

7. The need-based Florida Student Assistance Grants Program (FSAG) should be maintained as the State's primary "access" grant program. Priority for grant awards should be to students with the least available resources, taking into consideration the total available resources from the parents, the students, and the Pell Grant awards. Students receiving grants prior to July 1, 1983, who apply for renewal grants should have their need eligibility assessed on the same criteria used at the time of their original application. Thus, the transition to priority being given to students with the least available resources should take place over a four year period. Funding should be provided to move Florida into the upper quartile of states in terms of its support for need-based student financial aid.

Access Oriented

With the continuation of a non-need based tuition assistance program to provide "choice" and support of the dual system, this FSAG program should become an "access" oriented program with funds flowing to lower income

students who have the least family financial resources to gain access to any postsecondary program. While granting that the historical purpose for the FSAG program was in large part to support the dual system, the Commission notes that the tuition assistance program was not in existence at that time. The FSAG awards should continue to be available to both sectors; however, the needs determination should be adjusted. The recommendation provides for a four-year phase-in to protect current grant holders. Funding for need-based student financial aid should be one of the indicators used by the State Board of Education in measuring Florida's progress towards our "upper quartile" goal. Finally, it should be pointed out that the average voucher award for 1982-83 has dropped from $750 to $714 as a result of the current budget holdbacks and a change in the number of eligible institutions. The Department's figures indicate that if the Legislature were to fund an average voucher amount of $769 for the 1983-84 fiscal year, then the independent sector would be receiving an increase in the voucher program large enough to offset the funds shifted to the public sector under the first phase of the FSAG transition.

Academic Scholars Program

8. The Academic Scholars Program should be allowed to complete its first year of implementation under the procedures and criteria enacted by the 1982 Legislature before evaluating its effectiveness and recommending any further modifications. This incentive program to attract outstanding students to Florida postsecondary institutions should continue to be non-need based and new awards should be made on a first-come, first-served basis to assure early notification of quality candidates.

Biennial Report

9. The Department of Education should report to the State Board of Education and the Legislature on or before November 1, 1983, and biennially thereafter, on the effectiveness of the Academic Scholars Program. The report should include but not be limited to:

   (a) an evaluation of the effectiveness of the award criteria;

   (b) an estimate of the number of high achievers retained in the State as a result of the program;

   (c) an evaluation of the individual award levels;

   (d) an evaluation of the overall support needs of the program; and

   (e) recommendations for any necessary program modifications.

This program, designed to retain Florida's academically talented students, was not implemented the first year it was authorized (1980), and went through major statutory changes during the 1982 Legislative session. During the current school year, almost one-third ($500,000) of

the appropriated funds for the program are being returned to the State Treasury due to a drop in the number of applicants. This history has made an evaluation of the program's effectiveness extremely difficult to perform. Research conducted in Florida, Pennsylvania, and elsewhere has indicated that financial aid is not the primary factor in determining where high academic achievers choose to pursue their studies. Other factors such as the perceived differences in the quality of institutions and program offerings have a greater impact on the brightest students' college choice. Rather than propose specific changes to the program at this point, it is recommended that the program be allowed to complete a full year of implementation under the criteria and procedures enacted by the 1982 Legislature.

Industry-Education Cooperation

10. The Department of Education should encourage industry/education linkages through the development of temporary employment opportunities for students attending Florida postsecondary education institutions. Education and industry officials should develop specific arrangements which would promote additional apprenticeship, on-the-job, and cooperative training of students. The Department, in cooperation with the Department of Administration, should study the feasibility of increasing the percentage of state agency and community college OPS funds expended on temporary student employees and also the possibility of designating a percentage of such funds to be distributed on the basis of need. The results of this study should be presented to the State Board of Education and the Legislature by February 1, 1984.

College Career Work Experience Program

Biennial Report

11. The College Career Work Experience Program, which is intended to introduce eligible students to work experience in their declared major areas of study, should complete its first year of implementation prior to an evaluation of its effectiveness. The Department of Education should report to the State Board of Education and the Legislature on or before November 1, 1983, and biennially thereafter, on the effectiveness of this program. The report should include but not be limited to:

    (a) an analysis of the current participation of state agencies and community colleges in the program;

    (b) an analysis of the need for the creation of a job development component to the program and a specific budget request for this component if the analysis identifies a need; and

    (c) recommendations for any necessary program modifications.

These work-study and apprenticeship models offer students an opportunity to earn money and to familiarize themselves with the workplace. They help to produce better motivated students, to update skills, and create

substantial savings to the schools. Several states are currently exploring the work-study concept, which has excellent potential for improving cooperation between the educational and employment sectors while providing students with valuable experience for career selection and training. Under the Florida program, created by the 1982 Legislature, postsecondary students obtain part-time employment in jobs related to their studies. The State appropriation of $2 million for the program in 1982-83 is to be matched equally by employers who choose to participate. Due to the time involved in attracting matching funds and developing rules and procedures, this program is not yet fully implemented. An evaluation of the program's effectiveness would be premature at this time. Close monitoring will be required for the remainder of the first year to determine what, if any, changes may be required.

Job Development

One possible modification would be the addition of a "job development" component. The State of Virginia will initiate a similar student employment program in 1984-85, but a supplemental appropriation was passed for 1983-84 for job development in preparation of full implementation.

Student Eligibility for Financial Aid

12. Admission to an approved institution should be required of aid applicants for initial receipt of FSAG, Tuition Voucher, and State work experience program awards. After the first term, a student must have earned a 2.0 average on a 4.0 scale for the previous term, have earned an overall 2.0 average for his college work, or have an average below 2.0 for only the previous term and be eligible for continued enrollment in the institution as a condition for renewal of these awards.

As noted in the Department study, admission to an approved institution is the primary criterion for determining academic eligibility for the major State aid programs at the present time. Renewal of voucher and career work experience awards is permitted for students meeting institutional standards of progress. FSAG renewals require at least a 2.0 grade point average for the previous academic year. Under these standards it is possible for a student to continue receiving a tuition voucher while failing to renew a student assistance grant. If financial aid resources are to consistently reinforce the State goals of access and quality, uniformity in the minimum academic standards established for these programs is appropriate. State aid applicants below this level would remain eligible for Pell Grants, Guaranteed Student Loans and other forms of Federal and institutional aid, so access would not be unduly restricted by this policy. Programs designed to recognize outstanding academic achievement, such as the Academic Scholars awards, should be the only exception to the policy.

Independent Students

13. Classification of State aid applicants as independent should generally be limited to those students who are 22 years of age or older.

An aid applicant who declares independent status will typically have a greater financial need than a dependent student due to the absence of any expected parental contribution. Based on the undergraduate students in the Department's survey sample, Florida has an above-average proportion of independent students (approximately 46%) in the aid applicant pool. This appears to be due in part to the higher median age of the State's general and student populations rather than to an unusual level of manipulation of the need analysis system. Nevertheless, the establishment of a minimum age for declaring independent status without detailed evidence represents a means for ensuring that State aid is distributed to those with the greatest need. Students below the age of 22 who submit reasonable proof of their independent status through tax returns and other documentation should continue to be classified accordingly.

Graduate Students

14. Financial aid for graduate students should be augmented substantially.

The Master Plan maintains that the best way to strengthen graduate education is to recruit the best faculty, professional staff, and students, nationally and internationally. Increased financial aid and fellowships are essential in recruiting top students for graduate study. Such financial aid allows institutions to be more selective and to retain students after enrollment. Without a stronger system of graduate student support, Florida will continue to fall behind other states which have more generous programs.

Consideration should be given by the Board of Regents to increasing the percentage of appropriated out-of-state fee waivers going to graduate students.

State Financial Aid Limited to Full-Time Students

15. Need-based State aid programs should continue to be limited to full-time students. Financial assistance for part-time students should be provided through Federal, institutional, and other resources.

The increasing number of new and returning students participating in postsecondary education on less than a full-time basis was recognized in the Department's study. Between 1974 and 1981 the number of part-time students in both the independent and public sectors has doubled while the growth of full-time headcount enrollment has been much more limited. It has been assumed in the past that part-time students would demonstrate limited financial need due to higher employment income and other resources (such as a spouse's income) not generally available to full-time students. However, the extent of financial need among part-time students has not been documented in Florida. At the Federal level, relatively few part-time (enrolled at least half-time) students receive Pell grants or other forms of aid. In the student survey administered by the Department, 12.7% of the 1981-82 Pell grant recipients in Florida were identified as part-time. In order to respond

to the financial needs of this group of students at the State level consideration was given to earmarking a specific amount of the need-based grants for this purpose. But the approach could have several negative effects.

Since there presently is not enough money to fund all full-time applicants, earmarking funds for part-time student aid could result in awards going to students in this latter group who demonstrated lower net need than the cut-off point for full-time students.

A second consequence would be an increase in the FSAG applicant pool from 70,000 to over 140,000. Unless the grant program received a substantial increase in funds it is questionable whether the number of part-time students aided would justify the increased administrative expense and application cost for individual students as a result of this policy change.

Individual student aid officers are in the best position to determine the financial aid needs of part-time students. Subsequent recommendations relating to institutional aid will permit some flexibility for institutions to direct resources to part-time students as appropriate.

Community College Student Financial Aid Fee

16. Each community college should be authorized to designate a portion of student fee revenues to be used solely for financial aid purposes. Initially, this amount should not exceed the revenues generated by up to $1 per credit hour or credit hour equivalent. Funds designated for this purpose should not be deducted as student fees in the allocation of funds from the Community College Program Fund. The State Board of Education should approve the specific amount of funds designated for this purpose by each college, and also any proposed adjustments. If this program is authorized, consideration should be given by the Legislature to converting the $1 per credit hour option to a fixed percentage option to assure that an institution's discretionary student aid funds increase in proportion to any necessary increase in student fees.

This proposal enhances institutional flexibility and responsiveness while maintaining consistent statewide parameters for the use of aid funds. State Board of Education approval would be required for the initial designation of the fees and any subsequent modifications. The actual fee level at each institution should be determined by the Board of Trustees with the advice of students, faculty, and administrative staff. Use of these funds should be limited to financial need and recognition of academic merit.

At least 70% of the funds collected through this aid fee at each school should support need-based student assistance in keeping with the statutory priority placed on this use of financial aid. No more than 10% of these funds should be directed to the administrative support of the aid program. Criteria for the use of these funds should be developed by the Community College Coordinating Board and should be consistent

statewide. Demonstrated need should be determined in accordance with current State and Federal guidelines. Academic achievement awards should require a minimum grade point average of 3.2 for both initial receipt and renewal. Satisfactory academic progress should be a condition for continued eligibility for need-based awards. Both full- and part-time students should be allowed to receive support from this source based upon individual student needs and institutional priorities.

Financial awards for purposes other than financial need and academic achievement should be funded through a specific state appropriation for such purposes or from other resources available at the institutional level such as race track funds or private donations.

Proceeds from the fees may be used to serve as matching dollars to attract other aid resources and enhance equal educational opportunity. Such proceeds should not be used to comply with federal maintenance of efforts requirements. Each college should maintain accurate records on the expenditure of the funds collected and submit annual reports to the Community College Coordinating Board and the state financial aid office.

Finally, the Commission believes that the $1 per credit hour option should eventually be converted to a fixed percentage option. This approach would be less cumbersome administratively and would assure that an institution's discretionary student aid funds would increase in proportion to any necessary increase in student fees. It is also a logical extension of a tuition policy which is responsive to rising college costs in an environment of limited resources. State need-based student financial aid programs should also be adjusted to reflect any necessary increase in community college student fees.

State University Student Financial Aid Fees

17. Consideration should be given to the consolidation and increase of the two student fees - General Student Aid and Student Financial Aid - currently being assessed in the universities and application of the same statewide criteria for use of these fees as suggested for the proposed community college fee. If these two student fees are consolidated, consideration should also be given by the Legislature to converting the resultant dollar assessment per credit hour to a fixed percentage to assure that an institution's discretionary student aid funds increase in proportion to any necessary increase in student fees.

Collectively, the General Student Aid and Student Financial Aid fees currently amount to $1.06 per credit hour ($.62 and $.44 respectively). In 1981-82, they generated approximately $4 million for student aid purposes. According to a recent consultants' report on Student Services prepared for the Board of Regents, specific information on how these fees are being used is sometimes difficult to obtain. The General Student Aid Fee ($2.4 million in 1981-82) remains at the institution where collected and can be used for any purpose related to financial aid. Proceeds from the Student Financial Aid Fee ($1.6 million in 1981-82) are to be used for need-based and minority-based aid and are reallocated among the nine universities based on a family income survey originally conducted in

1973. This redistribution results in a few institutions receiving several times the amount initially collected in fees while other universities receive proportionately less. In order to improve the coordination of these resources with other forms of aid while maintaining institutional flexibility, it is proposed that all fees remain at the institution where collected; that the two fees be consolidated into one and set within a range recommended by the Board of Regents; that each institution determine the actual fee to be charged based on input from students, faculty, and administrators; and that the same statewide criteria suggested for the community college fee be adopted - at least 70% of the funds awarded based on need, and no more than 10% for financial aid administrative expenses. The Board of Regents should adopt specific policies for the distribution of such financial aid, and should approve the institutional plans for the distribution and use of the aid funds. Each university should maintain accurate records and submit annual reports to the Board of Regents on the expenditure of these funds including the number of students served at each level. Three potential offsets for those institutions which would face reduced funding under this proposal are: a two-year phase-out of the present fee reallocation process; a possible increase in the maximum level for the consolidated student aid fee since the two existing fees have not been changed in over six years; and the impact of the recommended FSAG program modifications which would assist low-income students in the public sector. The benefits in terms of a clearer picture of the use of these funds and closer coordination with State aid programs appear to outweigh the relatively small funding shifts involved. In addition to the student aid fees, the use of the Legislatively appropriated out-of-state fee waivers for both graduate and undergraduate students should continue to be monitored to assure that they complement available State aid resources.

Finally, the Commission also believes that these fees should eventually be converted to a fixed percentage of institutional tuition revenues. The same arguments advanced earlier for community colleges apply here. State need-based student financial aid programs should also be adjusted to reflect any necessary increase in state university student fees. Any additional financial aid funds made available by this proposed conversion to a fixed percentage approach should not be used to comply with federal maintenance of efforts requirements.

Teacher Scholarship Program

18. The Legislature should establish a teacher scholarship program to encourage high caliber students to enter teaching as a profession. Awards should be made on the basis of academic achievement and demonstrated leadership qualities.

Loan Forgiveness Fund

19. The Legislature should establish a Loan Forgiveness Fund for Florida students who are trained in teaching fields where serious personnel shortages exist, such as Mathematics and Science Education, and who obtain in-state employment in these areas of specialization.

The Master Plan recommends the creation of a teacher scholarship program to encourage high caliber students to enter teaching as a profession. The Department's 1983-85 budget request includes $800,000 for the creation of a Teacher Scholarship Program. The program would provide annual scholarship loans of $4,000 to students with high academic ability who enroll in teacher preparation programs. The scholarship/loans would either be repaid by a year of full-time teaching in a Florida public school for each $4,000 received or repaid in cash with interest charges added. This proposal will enhance the quality of students enrolled in Florida colleges of education and increase the pool of trained personnel available to teach in the State's public schools.

As a supplement to this approach, the creation of a Loan Forgiveness Program is suggested to directly address the current shortage of mathematics and science teachers in the public schools. Under this approach, students trained as mathematics and science teachers who obtain employment in Florida would be eligible to have a portion of any student loans obtained in the course of their academic preparation repaid by the State. Principal payments of up to $2,500 per year for up to four years would be made by the State to the holder for the loan on behalf of the student employee. The actual source of the original loan would vary, e.g. FGSL, PLUS, NDSL, or any other payment deferred loan. This wide range of alternatives would assure access to this program for students at all income levels. The program could be confined to students graduating from Florida public and independent institutions or extended to graduates of out-of-state institutions as well. The concept of the Loan Forgiveness Fund could be expanded to address other undergraduate and graduate training needs, in addition to Mathematics and Science Education, specifically identified by the State Board of Education and the Legislature. Incentives should also be developed to attract students trained as mathematics and science teachers who do not have outstanding student loans to teach in Florida.

It is recommended that the initial State appropriations for the Loan Forgiveness Fund be $125,000 the first year and $250,000 during the following year of the 1983-85 biennium. This would support 50 teachers initially and 100 the second year. This proposal will permit the State to address immediate personnel shortages by directing aid to those students who actually obtain work in Florida. The program would avoid the administrative burden and expense of collecting repayments from loan recipients who do not complete their studies or do not seek employment in the designated field.

Standby Authority for Student Loan Revenue Bonds

20. Standby authority should be established for the issuance of Student Loan Revenue Bonds to permit Florida to serve as a secondary market or direct lender in the event that a significant limitation on availability of low interest student loans occurs either in general or for specific types of students such as those pursuing graduate or vocational studies.

The Department study indicated that FGSL loan volume exceeded $160 million in 1981-82, a 13% increase from the previous year. This growth was in contrast to a 22% decline in the program nationally during this period. While eligibility for FGSL is technically extended to all persons enrolled at least half-time in approved postsecondary education institutions, in practice loan distribution varies considerably according to the type of student and institution involved. The major cause for these differences is the size of the debt incurred by the student. Currently, lenders estimate that an average balance of at least $3,000 is needed to achieve a profit on a loan. As a result of this condition, undergraduate students enrolled in traditional educational programs (four-year baccalaureate degree-granting colleges and universities), have relatively unrestricted access to GSL funds because their level of borrowing will generally exceed the necessary minimum. Students enrolled in short-term programs (e.g. vocational) and students with one year or less remaining in their programs (seniors, graduate, and professional students) do not always have access to these loans since their financial requirements, particularly in the case of vocational students, are less than the minimum balance required by most lenders.

Due to these conditions it is suggested that standby authority be established for the issuance of Student Loan Revenue Bonds for two purposes. The Department of Education could operate a Secondary Market for lenders making small balance loans, or it could serve as a direct lender for students unable to obtain loans elsewhere. By obtaining capital at tax exempt rates, the State should be in a financial position to accept smaller balances than commercial profit-based institutions.

The exercise of this authority would be contingent on several factors. Due to changes made to the GSL program in 1981, and the ability to merge the loan and grant applicant files, some income information is now available for many GSL recipients. A comparative analysis of the number and volume of loans guaranteed annually and the income and enrollment patterns of a sample of the recipients would provide an indication of the extent to which increased loan access is required.

A second consideration would be the impact of the Federal PLUS loan program, a supplementary source of funds for parents, graduate students and independent undergraduates which began operation in Florida in January, 1983. Loans must begin to be repaid no later than 60 days after the loan has been made. The interest rate for PLUS Loans is presently set at 12%, which is favorable compared to the rates on consumer loans, but still can pose a hardship due to the payback requirement. States such as Massachusetts and New Jersey have demonstrated the viability of this alternative program through vigorous promotion and communication with private lenders.

Finally, individual lender restrictions or policy changes at the Federal level would have to be taken into account if enacted.

While specific authorization for the sale of such bonds would be required by the Legislature and Cabinet, enactment of the appropriate statutory provisions in advance would enable the State to expedite implementation if the need arose.

This contingency loan authority should be considered as an alternative to the current law enacted by the 1982 Legislature which permits the creation of individual county loan authorities. It is believed that a centralized approach would provide for a more consistent and equitable distribution of student loan assistance.

In conjunction with this authority, the State should continue in its efforts to encourage lender and student participation in the existing Federal loan programs - PLUS and GSL.

Vocational Students

21. Institutions in the public vocational sector should be included in need-based state grants if they are eligible to participate in the Pell Grant or Guaranteed Student Loan (GSL) Programs, and if they are complying with all applicable laws and rules including the charging of fees within the range established by the State Board of Education. A budget request covering the cost of extending State aid to students in this sector should be developed by the Department for consideration by the 1984 Legislature. State aid should not be diverted to the vocational centers at the expense of students currently eligible for State grants in the collegiate sectors.

Increased Vocational Participation in Federal Aid Programs

22. The Division of Vocational Education should work with the Department's central financial aid office and other appropriate entities in the development of an in-service training program to increase the participation of district operated vocational-technical centers in Federal aid programs for which they are eligible.

Inclusion of this sector in State aid programs is in keeping with the statutory policy goal of providing aid at all levels of postsecondary education. Nationally, over 30 states extend aid to the public and private vocational sectors. At present, these institutions in Florida vary widely in their participation in Federal aid programs. In order to make the most effective use of limited State aid resources, institutional eligibility to participate in either the Pell or GSL Programs should be a necessary precondition to receipt of FSAG or other State dollars. At the same time, the Department of Education should play an active role in assisting vocational centers to develop the necessary staffing and administrative procedures required to permit effective participation in both State and Federal aid programs by 1984-85. Grant eligibility should be limited to individuals enrolled in certificate or degree programs consisting of at least 900 clock hours of classroom instruction. This program should not be implemented if funds are not provided by the Legislature to support the additional students who would become eligible for FSAG awards. If sufficient need is demonstrated, a local option student aid fee similar to that proposed for the community colleges and universities should be considered by the State Board of Education in 1984.

In 1981 the State Board of Education adopted a uniform student fee policy for postsecondary level vocational courses offered by school districts and community colleges. The purpose for this action was to require postsecondary students to pay a reasonable portion of the cost of their vocational instruction in either system. In order to make the most effective use of available funds, vocational-technical centers which have not adopted fee schedules within the range established by the State Board or which provide fee waivers to all students regardless of need should not be eligible to participate in the State student aid grant programs.

Proprietary Education

23. Licensed, accredited independent business and trade schools should be considered for inclusion in the Florida Student Assistance Grant Program if they are eligible to participate in the Pell Grant or Guaranteed Student Loan Program. A final decision on such inclusion should be deferred until the Commission's study on this sector of postsecondary education is concluded.

The Department's study recommends that consideration be given to inclusion of this sector in the FSAG program. As with the public vocational sector, participation in Federal aid programs varies widely among the independent business and trade schools. A number of these schools specialize in one field or offer courses of study lasting a few weeks or months and consequently are not eligible for Pell Grants and other Federal aid.

Consideration of this inclusion in the past has been hindered by an absence of reliable statistical information on the students and institutions in this sector. The Commission is currently conducting a study of the proprietary sector of postsecondary education in Florida, and that review will provide the type of information necessary to make the policy decisions on whether such institutions should be eligible for the FSAG Program, the Tuition Voucher Program, or other state financial aid programs. The study should be completed in early 1984, and any decision on inclusion of additional programs should be deferred until that time.

Florida Student Financial Assistance Commission

24. The Legislature and the Department of Education should take the necessary steps to implement the recommendations contained in the 1982 Performance Audit of the Florida Student Financial Assistance Commission conducted by the Auditor General.

The 1981 Legislature requested that a Performance Audit be conducted for the purpose of reviewing the efficiency and effectiveness of the internal operations and management practices of the Florida Student Financial Assistance Commission (FSFAC). The audit, conducted during the summer of 1982 included the following major recommendations:

a) FSFAC should be abolished and its administrative duties assigned to the Department of Education.

b) The Florida Student Financial Aid Advisory Council should be abolished and a new advisory body created composed of representatives from private and public postsecondary educational institutions, professional student financial aid administrators, students, financial institutions, and the general public.

c) The Department should develop long-range plans for the Guaranteed Student Loan Program in order to estimate the resources needed to manage workload increases and ensure that the State's loan default rate remains within federal limits. The plan should be reviewed at least annually.

d) The Department should develop formal written procedures and controls for its internal administration of student financial aid programs.

e) The Department should periodically evaluate its student financial aid activities to determine if they are efficient and contribute to program goals.

The Commission, Advisory Council, and Commissioner of Education have accepted the audit findings and have begun to initiate the actions necessary to carry out the recommendations listed above.

Annual Review of Grant Awards

25. The Department of Education should annually review and validate a random sample of State grant award recipients to determine the accuracy of the eligibility information provided.

Inventory of Aid Sources

Minority Participation

26. The Department of Education should institute the necessary steps to develop and periodically update an inventory of all sources of financial aid received by postsecondary students in Florida. The Department should biennially review the availability of financial aid, analyzing federal, state, and institutional resources, including but not limited to the amount of dollars and their effect on providing for student access for all levels of postsecondary education. This review shall include an analysis of the impact of such financial aid on increasing the participation of minority groups in postsecondary education in Florida.

A 1979 report by the U.S. Comptroller General, Inconsistencies in Awarding Financial Aid to Students Under Four Federal Programs, cited erroneous and fraudulent reporting by students and wide variation in the documentation of eligibility. In order to ensure the best use of available State aid funds the Department of Education should develop award validation procedures in cooperation with representatives from each sector for implementation beginning in 1984-85. This monitoring process

should include no less than a 10% sample of the State grant recipients each year. A number of campus aid administrators are now requesting submission of income tax forms and other documentation to verify student need analysis data for Federal and institutional purposes. This information could also be used in the State review. Since the documentation would be examined after an award had been made this procedure should not result in any delay in the initial distribution of funds.

It is clear that additional responsibility for financial assistance is going to be placed on the State. In order to assess the effectiveness of existing programs and determine the need for adjustments in the level of resources provided, some basic information on both the sources and recipients of financial aid will continue to be required. This data collection should be implemented with the advice and direction of aid administrators and other institutional representatives to identify the appropriate data elements and collection procedures. Information necessary to analyze the impact of financial aid programs on increasing the participation of minority groups in postsecondary education should be maintained by the Department. Existing sources of information should be used as much as possible.

The aid inventory should be comprehensive both in terms of the resources documented (e.g. Federal and State aid, OPS, cooperative education, employer-sponsored instruction) as well as the institutions covered. In addition to institutional information, individual student data should periodically be analyzed on a sample basis to determine the impact of current and proposed policies on financial aid applicants and recipients. The FSAG applicant file maintained by the Department contains detailed information on over 70,000 students and represents an excellent foundation for any future research efforts.

In order to encourage the full participation of all sectors in this process, completion of the institutional inventory should be a requirement for State aid eligibility. This approach should not only clarify the financial aid picture at the State level but will also provide an incentive for increased coordination of aid resources at the institutional level.

CONCLUSION

This first Supplement to the Master Plan recommends many specific guidelines, directions, programs, and priorities for strengthening Florida's financial aid program in the future. It attempts to provide a direct relationship between the overall financing approach recommended in the Master Plan and the State's tuition and financial aid policies. As is the case with the Master Plan, most recommendations do not require additional resources, but the suggested actions taken as a whole will demand additional financial support. A large number depend on a more coordinated and effective use of existing resources. Those programs requiring additional resources are consistent with Florida's goal to be a State of educational distinction. Funding is needed to move Florida into the upper quartile of states in terms of its support for needs-based student financial aid. The Master Plan refers to educational support as more of an investment in the future than as an expenditure for current consumption. Guaranteeing financial access to postsecondary education by Florida residents is a critical component of that investment. The Commission believes that implementation of the specific recommendations contained in this Supplement will provide the basis for a sound financial aid policy that is consistent with overall quality improvement goals.

State of Florida
Department of Education
Tallahassee, Florida
Ralph D. Turlington, Commissioner
An equal opportunity employer/affirmative
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FLORIDA: A STATE OF EDUCATIONAL DISTINCTION. "On a statewide average, educational achievement in the State of Florida will equal that of the upper quartile of states within five years, as indicated by commonly accepted criteria of attainment."